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PP RUEHPT

DE RUEHBY #0732/01 2220759

ZNR UUUUU ZZH

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FM AMEMBASSY CANBERRA

TO RUEHC/SECSTATE WASHDC PRIORITY 1889

INFO RUEHBJ/AMEMBASSY BEIJING 9562

RUEHCP/AMEMBASSY COPENHAGEN 1162

RUEHJA/AMEMBASSY JAKARTA 5503

RUEHUL/AMEMBASSY SEOUL 9881

RUEHKO/AMEMBASSY TOKYO 3645

RUEHWL/AMEMBASSY WELLINGTON 0070

RUEHBN/AMCONSUL MELBOURNE 6588

RUEHPT/AMCONSUL PERTH 4853

RUEHDN/AMCONSUL SYDNEY 4839

RHEHAAA/THE WHITE HOUSE WASHINGTON DC

RHMFIU/HQ EPA ADMINISTRATORS WASHINGTON DC

RHMFISS/DEPT OF ENERGY WASHINGTON DC

UNCLAS SECTION 01 OF 02 CANBERRA 000732

SENSITIVE

SIPDIS

STATE FOR OES/EGC TALLEY, WHITE HOUSE FOR CEO

E.O. 12958: N/A

TAGS: SENV KGHG AS

SUBJECT: CLIMATE CHANGE: WONG PREPS GROUND FOR VOTE

REF: A. CANBERRA 699

1B. CANBERRA 723

11. (SBU) Summary: Climate Minister Wong made laid out the government's final argument for passage of the CPRS on August 110. Regardless, the GOA will probably not pass its Carbon Pollution Reduction Scheme (CPRS) (ref A) legislation in a vote scheduled for August 13, but the Opposition's inability to agree internally is strengthening the chances that it will pass in November. The GOA has focused the CPRS debate on Opposition weakness, rather than the plan itself. The Opposition coalition remains split and has not offered credible alternatives. End Summary.

12. (SBU) Climate Change and Water Minister Penny Wong capped several weeks of GOA pressure on the Opposition to agree to the CPRS with a speech at the National Press Club on August 110. Wong, who in the past has appeared distant or too technically focused, laid out a coherent and convincing rebuttal of the Opposition's last minute suggestion of an alternate "baseline and credit" scheme. Pointing out that the debate over adopting a cap-and-trade emissions reduction plan goes back 10 years in Australia, Wong effectively argued that the Opposition had plenty of time to hammer out a policy position yet has failed to do so. The baseline-and-credit plan offered on August 10 by the Opposition was a "mongrel, not a hybrid" system, Wong said, and had been disowned by its previous advocate, the Canadians. She noted that the Opposition claim that the CPRS was not as generous to emissions intensive trade exposed industries as current legislation before the Senate in the U.S. was incorrect. She rejected the Opposition's call for a delay in adoption of the CPRS, saying that in fact the world was moving ahead and Australia was in danger of having to play catch up. Wong noted specifically the movement of legislation in the U.S. and the positive role of the Major Economies Forum in working towards a comprehensive outcome at Copenhagen.

OPPOSITION PROPOSES BASELINE-AND-CREDIT

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13. (SBU) Wong's sustained attack on the opposition Coalition followed several weeks in which the Opposition Leader, Malcolm Turnbull, tried to wrestle his own party into a coherent policy. On August 10, he released modeling commissioned in June (with the support of Independent Nick Xenophon) and said he supported the adoption of a

"baseline-and-credit" system which would reduce Australia's emissions 10 percent by 2020 and provide 100 percent compensation to energy companies and other large emitters to reduce costs to the economy. Most emissions reductions would come from the purchase of international offsets, which are included in both the Opposition and GOA plans. Wong noted that Turnbull's proposal was not backed by his own Coalition party and that he has been unable to produce a viable amendment to the CPRS legislation.

**¶4. (SBU)** The Business Council of Australia and the Electricity Supply Association both rejected the idea of a baseline-and credit scheme as too complex, but the concepts behind such a scheme could provide Turnbull with a concrete base for amendments to the CPRS. Wong left the door open to negotiations over the legislation, but emphasized that the Coalition, which embraced emissions trading two years ago, has no agreed policy on climate change three days before the first vote in the Senate. Wong also pointed out that at least three of Turnbull's "nine demands" of two weeks ago (ref A) were either already fulfilled under the CPRS or not possible, and said it reflected the opposition's inability to develop a coherent policy. Turnbull is suffering from record low poll numbers (ref B) and the GOA is determined to press on now while public attention is focused on his leadership.

WAVING THE BIG STICK?

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**¶5. (SBU)** While Wong presented her strongest and most comprehensive performance to date on the need to pass the

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CPRS, the Coalition will most likely not agree to pass the bills this week. That sets the stage for further pressure through the spring as GOA considers using the CPRS as a possible trigger for a double dissolution and joint sitting of parliament. Wong floated this possibility in her speech, saying that regardless of what happens on August 13, the government is not going to let this go and that the Opposition can "do this the hard way, or the easy way." Opposition member Wilson Tuckey appeared to be trying to short-circuit that threat over the weekend when he suggested that even if passed, the Coalition would block CPRS implementing regulations in the Senate. This threat would require some very complicated electoral math under any of the likely scenarios for a double dissolution, most of which would see Labor and the Green Party gain seats, and losses for the Liberal, National and Independents.

**¶6. (SBU) Comment:** The opposition, which has made passing the CPRS harder than many expected six months ago, has been unable to exploit public concern over the economic impact of the scheme. State Labor governments are worried about these impacts, particularly on coal and electricity generation, and critics are exploiting a perceived general softening of Australian resolve to make tough decisions on climate. Rather, the GOA has been successful in framing the debate around the fractures in the Coalition, and kept the pressure on Turnbull to deliver what he probably cannot - a viable alternative that could successfully counter the perception of the Coalition's surrender in the face of a double-dissolution threat.

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